

**REPORT OF THE AUDIT OF THE
ANDERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY CLERK

**For The Year Ended
December 31, 2001**

The Auditor of Public Accounts has completed the Anderson County Clerk's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$46,107 from the prior calendar year, resulting in excess fees of \$135,266 as of December 31, 2001. Revenues increased by \$383,335 from the prior year and disbursements increased by \$334,432.

Debt Obligations:

Lease principal agreements totaled \$6,645 as of December 31, 2001. Future principal and interest payments of \$4,245 are needed to meet these obligations.

Report Comment:

- Lacks Adequate Segregation Of Duties

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Anthony D. Stratton, Anderson County Judge/Executive

Honorable Harold Ritchey, Anderson County Clerk

Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Anderson County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Anthony D. Stratton, Anderson County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 7, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 7, 2002

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

State Grants	\$	5,984
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State Fees For Services		8,830
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Fiscal Court		7,994
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	474,391
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Usage Tax		1,526,661
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Tangible Personal Property Tax		1,312,825
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Licenses-

Fish and Game		7,294
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Marriage		5,417
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Occupational		20,481
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Deed Transfer Tax		55,688
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Delinquent Tax	139,564	3,542,321
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	18,568
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Real Estate Mortgages		56,228
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Chattel Mortgages and Financing Statements		56,042
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Powers of Attorney		1,484
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All Other Recordings		27,585
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Charges for Other Services-

Clerk's Liens		4,846
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Title Application		10,455
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Copywork		5,651
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Miscellaneous	4,035	184,894
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Other:

Refunds and Overpayments	\$	20,510
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Notary Bonds		1,508
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Postage	561	22,579
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Interest Earned		3,456
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Total Receipts	\$	3,776,058
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ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2001
(Continued)

Motor Vehicle-		
Licenses and Transfers	\$ 362,442	
Usage Tax	1,480,760	
Tangible Personal Property Tax	507,052	
Licenses, Taxes, and Fees-		
Fish and Game	7,828	
Delinquent Tax	18,878	
Legal Process Tax	20,922	
Candidate Filing Fees	60	\$ 2,397,942
Payments to Fiscal Court:		
Tangible Personal Property Tax	\$ 113,534	
Delinquent Tax	15,439	
Deed Transfer Tax	52,903	
Occupational Licenses	19,457	201,333
Payments to Other Districts:		
Tangible Personal Property Tax	\$ 639,727	
Delinquent Tax	71,638	711,365
Payments to Sheriff		1,589
Payments to County Attorney		20,074
Operating Disbursements and Capital Outlay:		
Personnel Services-		
Deputies' Salaries	\$ 169,341	
Grant Salaries	5,950	175,291
Contracted Services-		
Indexing	\$ 1,168	
Printing and Binding	1,986	3,154
Materials and Supplies-		
Office Supplies		10,302
Other Charges-		
Conventions and Travel	\$ 2,842	
Dues	550	
Postage	4,018	
Equipment Repairs	2,016	
Reimbursements	20,729	
Miscellaneous	138	30,293

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
For The Year Ended December 31, 2001
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Capital Outlay-		
Office Equipment	\$	4,105
Debt Service:		
Lease Purchases		<u>18,249</u>
Total Disbursements		<u>\$ 3,573,697</u>
Net Receipts		\$ 202,361
Less: Statutory Maximum	\$	61,306
Training Incentive		<u>2,189</u>
		<u>63,495</u>
Excess Fees		\$ 138,866
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for 2001		\$ 135,266
Payments to County Treasurer - February 13, 2002		<u>135,266</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year 2001.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2001
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$5,984. Funds totaling \$5,984 were expended during 2001.

Note 5. Lease

The office of the County Clerk is committed to a lease agreement with Triple M Business Products for a copier. The agreement requires a monthly payment of \$184 for 36 months to be completed on December 1, 2002. The total balance of the agreement is \$4,245 as of December 31, 2001.

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COMMENT AND RECOMMENDATION

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2001

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

The Clerk's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Clerk should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily deposit, and receipts ledger.
- The Clerk should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Clerk should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. The Clerk could document this by initialing the quarterly financial report.
- The Clerk should periodically compare invoices to payments. The Clerk could document this by initialing the invoices.
- The Clerk should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Clerk could document this by initialing the bank reconciliation and the balance in the checkbook.

County Clerk's Response:

None.

PRIOR YEAR:

Lacks Adequate Segregation of Duties (This comment has not been corrected and is repeated in current audit report.)

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Anderson County Clerk for the year ended December 31, 2001, and have issued our report thereon dated October 7, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Anderson County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Anderson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 7, 2002

